

# **Karoo Hoogland**

## **MUNICIPALITY**



[These financial statements have not been audited]

## **FINANCIAL STATEMENTS**

**30 JUNE 2010**

# KAROO HOOGLAND LOCAL MUNICIPALITY

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# KAROO HOOGLAND LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Karoo Hoogland Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Karoo Hoogland Municipality includes the following areas:

*Williston*  
*Fraserburg*  
*Sutherland*

#### MEMBERS OF THE MAYORAL COMMITTEE

Mayor	<i>J.J. De Wee</i>
Councillor	<i>J.K. Malho</i>
Councillor	<i>C.D. Malan</i>
Councillor	<i>J.J.J. Storm</i>
Councillor	<i>S.J.C. Theron</i>
Councillor	<i>J.J. van der Colff</i>
Councillor	<i>M.M. van Wyk</i>

#### MUNICIPAL MANAGER

*Mr L. Nothnagel*

#### CHIEF FINANCIAL OFFICER

*Mr K. van Schalkwyk (Acting)*

#### REGISTERED OFFICE

<i>Private Bag x3</i>	<i>Herbst Street</i>
<i>WILLISTON</i>	<i>WILLISTON</i>
<i>8920</i>	<i>8920</i>

#### AUDITORS

*Auditor-General (NC)*  
*Private Bag X5013*  
*KIMBERLEY*  
*8300*

#### PRINCIPLE BANKERS

*ABSA Bank, FRASERBURG*

#### ATTORNEYS

*GW Kempen & De Wet Nel*  
*Johannes G Coetzee & Seuns*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

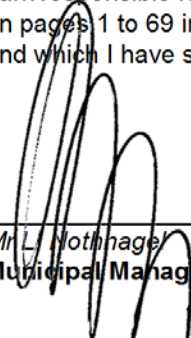
# KAROO HOOGLAND LOCAL MUNICIPALITY

## MEMBERS OF THE KAROO HOOGLAND LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	<i>J.K. Malho</i>
2	<i>J.J.J. Storm</i>
3	<i>J.J. van der Colff</i>
4	<i>J.J. De Wee</i>
Proportional	<i>C.D. Malan</i>
Proportional	<i>S.J.C. Theron</i>
Proportional	<i>M.M. van Wyk</i>

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 69 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

  
\_\_\_\_\_  
Mr L. Nottnager  
Municipal Manager

31 August 2010  
\_\_\_\_\_  
Date

KAROO HOOGLAND LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>35 940 226</b>	<b>36 060 516</b>
Accumulated Surplus/(Deficit)		35 940 226	36 060 516
<b>Non-Current Liabilities</b>		<b>5 644 591</b>	<b>5 352 187</b>
Long-term Liabilities	2	2 494 148	2 407 927
Employee benefits	3	3 150 443	2 944 260
<b>Current Liabilities</b>		<b>9 826 539</b>	<b>5 803 759</b>
Consumer Deposits	4	111 453	113 337
Current Employee benefits	5	701 642	580 129
Trade and other payables	6	2 765 099	2 634 415
Unspent Conditional Government Grants and Receipts	7	5 316 230	633 568
Taxes	8	706 799	696 348
Cash and Cash Equivalents	16	-	959 153
Current Portion of Long-term Liabilities	2	225 317	186 808
<b>Total Net Assets and Liabilities</b>		<b>51 411 357</b>	<b>47 216 463</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>45 207 943</b>	<b>43 035 335</b>
Property, Plant and Equipment	9	26 375 995	24 087 794
Investment Property	10	18 193 600	18 229 400
Intangible Assets	11	638 348	718 142
<b>Current Assets</b>		<b>6 203 414</b>	<b>4 181 127</b>
Inventory	12	5 858	3 623
Trade Receivables from exchange transactions	13	1 561 300	2 649 483
Other Receivables from non-exchange transactions	14	744 864	727 928
Unpaid Conditional Government Grants and Receipts	7	480 795	-
Operating Lease Asset	15.1	2 517	1 892
Cash and Cash Equivalents	16	3 408 080	798 201
<b>Total Assets</b>		<b>51 411 357</b>	<b>47 216 463</b>

KAROO HOOGLAND LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 (Actual) R	2009 (Restated) R	Correction of error R	2009 (Previously reported) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>17 226 857</b>	<b>15 312 052</b>	<b>4 705 505</b>	<b>10 606 547</b>
<b>Taxation Revenue</b>		<b>1 701 676</b>	<b>378 040</b>	<b>(846 525)</b>	<b>1 224 564</b>
Property taxes	17	1 701 676	378 040	(846 525)	1 224 564
<b>Transfer Revenue</b>		<b>15 472 784</b>	<b>14 714 946</b>	<b>5 351 632</b>	<b>9 363 313</b>
Government Grants and Subsidies - Capital	18	2 751 394	5 262 580	(4 099 415)	9 361 995
Government Grants and Subsidies - Operating	18	12 720 345	9 451 047	9 451 047	-
Public Contributions and Donations	19	1 045	1 318	-	1 318
<b>Other Revenue</b>		<b>52 397</b>	<b>219 067</b>	<b>200 397</b>	<b>18 670</b>
Actuarial Gains		42 736	200 397	200 397	-
Fines		9 661	18 670	-	18 670
<b>Revenue from Exchange Transactions</b>		<b>10 005 819</b>	<b>10 281 375</b>	<b>1 613 158</b>	<b>8 668 218</b>
Property Rates - penalties imposed and collection charges		269 558	112 998	-	112 998
Service Charges	21	7 876 649	6 854 954	(557 401)	7 412 356
Rental of Facilities and Equipment		446 229	486 322	813	485 509
Interest Earned - external investments		53 734	75 079	24 307	50 772
Interest Earned - outstanding debtors		420 661	355 222	-	355 222
Licences and Permits		9 751	4 268	-	4 268
Agency Services		51 806	199 594	1 236	198 357
Other Income	22	877 432	2 192 938	2 144 203	48 735
<b>Total Revenue</b>		<b>27 232 677</b>	<b>25 593 427</b>	<b>6 318 662</b>	<b>19 274 765</b>
<b>EXPENDITURE</b>					
Employee related costs	23	11 078 482	7 819 479	(31 785)	7 851 264
Remuneration of Councillors	24	863 366	654 938	-	654 938
Debt Impairment	25	2 099 686	749 421	749 421	-
Depreciation and Amortisation		838 185	785 645	785 645	-
Repairs and Maintenance		896 325	563 498	(56 796)	620 294
Unamortised Discount - Inreresst	20.1	75 838	74 643	74 643	-
Actuarial losses	3	-	2 770	2 770	-
Finance Charges	26	480 750	487 016	220 939	266 077
Bulk Purchases	27	2 898 122	2 192 230	-	2 192 230
Grants and Subsidies Paid	28	81 162	50 500	-	50 500
Other Operating Grant Expenditure		4 696 340	3 196 765	96 947	3 099 818
General Expenses	29	3 344 710	3 639 677	820 453	2 819 224
<b>Total Expenditure</b>		<b>27 352 967</b>	<b>20 216 582</b>	<b>2 662 236</b>	<b>17 554 346</b>
<b>Operating Surplus for the Year</b>		<b>(120 290)</b>	<b>5 376 845</b>	<b>3 656 426</b>	<b>1 720 419</b>
Loss on disposal of Property,Plant and Equipment/Investment Prope		-	-	-	-
Gain on disposal of Property, Plant & Equipment/Investment Propert		-	-	-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(120 290)</b>	<b>5 376 845</b>	<b>3 656 426</b>	<b>1 720 419</b>

KAROO HOOGLAND LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R
<b>Balance at 1 JULY 2008</b>	86 931	<b>(4 160 194)</b>	<b>(4 073 263)</b>
Correction of error - See Note 31.06	-	17 528 116	17 528 116
Change in accounting policy - See Note 30.12	(86 931)	17 315 748	17 228 817
<b>Restated Balance at 1 JULY 2008</b>	-	<b>30 683 670</b>	<b>30 683 670</b>
Net Surplus/(Deficit) for the year	-	1 720 419	1 720 419
Change in accounting policy - See Note 30.14	-	4 569 887	4 569 887
Rounding	-	1	1
Correction of error - See Note 31.07	-	(913 461)	(913 461)
<b>Balance at 30 JUNE 2009</b>	-	<b>36 060 516</b>	<b>36 060 516</b>
<b>Restated Balance at 1 JULY 2009</b>	-	<b>36 060 516</b>	<b>36 060 516</b>
Net Surplus/(Deficit) for the year	-	(120 290)	(120 290)
Rounding	-	-	-
<b>Balance at 30 JUNE 2010</b>	-	<b>35 940 226</b>	<b>35 940 226</b>

# KAROO HOOGLAND LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other - Exchange Transactions		8 786 520	9 454 697
Cash receipts from ratepayers, government and other - Non-Exchange Transactions		21 434 321	15 466 090
Cash payments to suppliers and employees		(23 692 120)	(19 270 004)
Cash receipts and payments on VAT transactions		10 451	(452 125)
Cash generated/(absorbed) by operations	32	6 539 172	5 198 658
Interest Received		474 394	430 301
Interest Paid		(480 750)	(487 016)
<b>Net Cash from Operating Activities</b>		<b>6 532 816</b>	<b>5 141 943</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(3 010 792)	(5 262 580)
<b>Net Cash from Investing Activities</b>		<b>(3 010 792)</b>	<b>(5 262 580)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised		235 700	-
New loans (repaid)		(186 808)	(213 358)
Increase/(Decrease) in Consumer Deposits		(1 884)	(31 276)
Rounding		-	1
<b>Net Cash from Financing Activities</b>		<b>47 008</b>	<b>(244 632)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3 569 032</b>	<b>(365 270)</b>
Cash and Cash Equivalents at the beginning of the year		(160 952)	204 318
Cash and Cash Equivalents at the end of the year	33	3 408 080	(160 952)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3 569 032</b>	<b>(365 270)</b>



**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE  
FINANCIAL STATEMENTS**

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**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

The standards are summarised as follows:

<b>GRAP 1</b>	Presentation of Financial Statements
<b>GRAP 2</b>	Cash Flow Statements
<b>GRAP 3</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>GRAP 4</b>	The Effects of changes in Foreign Exchange Rates
<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 9</b>	Revenue from Exchange Transactions
<b>GRAP 10</b>	Financial Reporting in Hyperinflationary Economics
<b>GRAP 11</b>	Construction Contracts
<b>GRAP 12</b>	Inventories
<b>GRAP 13</b>	Leases
<b>GRAP 14</b>	Events after the reporting date
<b>GRAP 16</b>	Investment Property
<b>GRAP 17</b>	Property, Plant and Equipment (PPE)
<b>GRAP 19</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>GRAP 100</b>	Non-Current Assets Held for Sale and Discontinued Operations
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS 6 (AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IFRS 7 (AC144)</b>	Financial Instruments: Disclosure
<b>IFRS 12 (AC102)</b>	Income Taxes

<b>IFRS 19 (AC116)</b>	Employee Benefits
<b>IFRS 32 (AC125)</b>	Financial Instruments: Presentation
<b>IFRS 39 (AC133)</b>	Recognition and Measurement
<b>SIC – 20 (AC421)</b>	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
<b>SIC – 25 (AC425)</b>	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
<b>SIC – 29 (AC429)</b>	Service Concessions Arrangements – Disclosures
<b>IFRIC 2 (AC435)</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447) IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC449)</b>	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories  
 GRAP 16 – Investment Property  
 GRAP 17 – Property, Plant and Equipment  
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets  
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations  
 GRAP 102 – Intangible Assets

## **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<b>GRAP 18</b>	Segment Reporting
<b>GRAP 21</b>	Impairment of non-cash-generating assets
<b>GRAP 23</b>	Revenue from Non-Exchange Transactions (Taxes and Transfers)
<b>GRAP 24</b>	Presentation of Budget Information in Financial Statements
<b>GRAP 26</b>	Impairment of cash-generating assets
<b>GRAP 103</b>	Heritage Assets

**1.6. LEASES**

**1.6.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the

lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

#### **1.6.2 Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

#### **1.7. UNSPENT CONDITIONAL GRANTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's income it is recognised as interest earned in the Statement of Financial Performance.

#### **1.8. PROVISIONS**

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

## **1.9. EMPLOYEE BENEFITS**

### ***(a) Post Retirement Medical obligations***

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan (benefit) is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(b) Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the basic remuneration of the employee.

**1.10. PROPERTY, PLANT AND EQUIPMENT**

**1.10.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.10.2 Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.10.3 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.10.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<b><u>Heritage assets</u></b>			
No depreciation			
<b><u>Finance lease assets</u></b>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.10.5 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.11. INTANGIBLE ASSETS**

#### **1.11.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.11.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that



useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **1.11.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b><u>Years</u></b>
Computer Software	3

### **1.11.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.12. INVESTMENT PROPERTY**

### **1.12.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

### **1.12.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### **1.12.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<b><u>Investment Property</u></b>	<b><u>Years</u></b>
Buildings	30

### **1.12.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.13. NON-CURRENT ASSETS HELD FOR SALE**

### **1.13.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **1.13.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **1.14. IMPAIRMENT OF NON-FINANCIAL ASSETS**

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an

asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

## **1.15. INVENTORIES**

### **1.15.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.15.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

## **1.16. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

### **1.16.1 Initial Recognition**

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

### **1.16.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **1.16.2.1 Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. The balance as at 30 June included accumulated interest.

#### **1.16.2.2 Trade and Other Receivables**

Trade and other receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.16.2.3      Trade Payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.16.2.4      Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (cash book balance). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **1.16.3   *De-recognition of Financial Instruments***

#### **1.16.3.1      Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained

substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.16.3.2      Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.16.4    *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.17.    REVENUE**

#### **1.17.1    *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance

property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.17.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.



**1.17.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.18. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillor, being the Mayor. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.19. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.20. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.21. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.22. CONTINGENT LIABILITIES**

All known contingent liabilities are reflected in the financial statements.

**1.23. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Operating lease commitments – the Municipality as lessor***

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

***Medical and other post-employment benefits***

The cost of defined benefit plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future medical increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of trade receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, plant and equipment***

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

***Revenue Recognition***

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.24. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**1.25. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

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INSERT ACCOUNTING POLICY

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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**LONG TERM LIABILITIES**

	2010 R	2009 R
Annuity Loans - At amortised cost	3 388 824	3 517 969
Capitalised Lease Liability - At amortised cost	324 726	146 690
	<b>3 713 550</b>	<b>3 664 658</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>225 317</b>	<b>186 808</b>
Annuity Loans - At amortised cost	135 749	129 145
Capitalised Lease Liability - At amortised cost	89 568	57 663
	<b>3 488 233</b>	<b>3 477 850</b>
<b>Plus:</b> Unamortised charges on loans	<b>(994 085)</b>	<b>(1 069 923)</b>
Balance 1 July	(1 069 923)	-
Adjustment for the period	75 838	-
Restatement of prior year opening balance - Note 30.04	-	(1 144 566)
Restatement of prior year comparatives - Note 30.04	-	74 643
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>2 494 148</b>	<b>2 407 927</b>

Annuity loans at amortised cost is calculated at 5% interest rate, with maturity date of 31 December 2026.  
The schedule of contractual maturity analysis for Annuity Loans:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

	2010 R	2009 R
Payable within one year	302 153	302 153
Payable within two to five years	1 208 614	1 208 614
Payable after five years	3 474 765	3 776 918
	<b>4 985 532</b>	<b>5 287 685</b>
<b>Less:</b> Future finance obligations	<b>(1 596 708)</b>	<b>(1 769 716)</b>
<b>Present value of annuity obligations</b>	<b>3 388 824</b>	<b>3 517 969</b>

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	2010 R	2009 R
Payable within one year	123 791	56 796
Payable within two to five years	279 431	119 837
Payable after five years	-	-
	<b>403 223</b>	<b>176 633</b>
<b>Less:</b> Future finance obligations	<b>(78 496)</b>	<b>(29 943)</b>
<b>Present value of lease obligations</b>	<b>324 726</b>	<b>146 690</b>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases are secured by property, plant and equipment - Note 9

3

**EMPLOYEE BENEFITS**

	2010 R	2009 R
Post Retirement Benefits - Refer to Note 3.1	2 561 266	2 431 650
Long Service Awards - Refer to Note 3.2	589 177	512 610
<b>Total Non-current Employee Benefit Liabilities</b>	<b>3 150 443</b>	<b>2 944 260</b>

**Post Retirement Benefits**

	2010 R	2009 R
Balance 1 July	2 579 538	2 563 084
Contribution for the year	(147 888)	(135 492)
Expenditure for the year	310 735	352 343
Actuarial Loss/(Gain)	(20 295)	(200 397)
<b>Total post retirement benefits 30 June</b>	<b>2 722 090</b>	<b>2 579 538</b>
<b>Less:</b> Transfer of Current Portion - Note 5	<b>(160 824)</b>	<b>(147 888)</b>
<b>Balance 30 June</b>	<b>2 561 266</b>	<b>2 431 650</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3	EMPLOYEE BENEFITS (CONTINUE)	2010 R	2009 R
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	581 513	498 006
	Contribution for the year	(68 903)	(32 763)
	Expenditure for the year	135 611	113 500
	Actuarial Loss/(Gain)	(22 441)	2 770
	<b>Total long service 30 June</b>	<b>625 780</b>	<b>581 513</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(36 603)	(68 903)
	<b>Balance 30 June</b>	<b>589 177</b>	<b>512 610</b>
		<b>2010 R</b>	<b>2009 R</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	3 161 051	3 061 090
	Contribution for the year	(216 791)	(168 255)
	Expenditure for the year	446 346	465 843
	Actuarial Loss/(Gain)	(42 736)	(197 627)
	<b>Total employee benefits 30 June</b>	<b>3 347 870</b>	<b>3 161 051</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(197 427)	(216 791)
	<b>Balance 30 June</b>	<b>3 150 443</b>	<b>2 944 260</b>
3.1	<b>Post Retirement Benefits</b>		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	14	14
	Continuation members (e.g. Retirees, widows, orphans)	6	6
	<b>Total Members</b>	<b>20</b>	<b>20</b>
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	931 417	882 640
	Continuation members	1 790 673	1 696 898
	<b>Total Liability</b>	<b>2 722 090</b>	<b>2 579 538</b>
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Discovery Health		
	Genhealth		
	Hosmed		
	Keyhealth		
	LA Health		
	Polmed; and		
	Topmed		
	Key actuarial assumptions used:	<b>2010 %</b>	<b>2009 %</b>
	<b>i) Rate of interest</b>		
	Discount rate	9.18%	9.22%
	Health Care Cost Inflation Rate	7.22%	7.48%
	Net Effective Discount Rate	1.83%	1.62%
	<b>ii) Mortality rates</b>		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	<b>iii) Normal retirement age</b>		
	It has been assumed that in-service members will retire at age 65 (male) 55 (female), which then implicitly allows for expected rates of early and ill-health retirement.		
	<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	<b>2010 R</b>	<b>2009 R</b>
	Present value of fund obligations	2 722 090	2 579 538
	<b>Net liability/(asset)</b>	<b>2 722 090</b>	<b>2 579 538</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3 EMPLOYEE BENEFITS (CONTINUE)

Reconciliation of present value of fund obligation:

	2010 R	2009 R
Present value of fund obligation at the beginning of the year	2 579 538	2 563 084
Total expenses	162 847	216 851
Current service cost	79 588	79 322
Interest Cost	231 147	273 021
Benefits Paid	(147 888)	(135 492)
Actuarial (gains)/losses	(20 295)	(200 397)
Present value of fund obligation at the end of the year	2 722 090	2 579 538
<b>Less:</b> Transfer of Current Portion - Note 5	(197 427)	(216 791)
<b>Balance 30 June</b>	<b>2 524 663</b>	<b>2 362 747</b>

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	0.931	1.791	2.722	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	1.124	1.948	3.072	13%
Health care inflation	-1%	0.779	1.650	2.429	-11%
Post-retirement mortality	-1 year	0.957	1.868	2.825	4%
Average retirement age	-1 year	1.044	1.791	2.834	4%
Withdrawal Rate	-50%	1.022	1.791	2.812	3%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 108 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2010 is R 85,146. The Current-service Cost for the ensuing year has been estimated to be R 79,511.

Key actuarial assumptions used:

i) Rate of interest

	2010 %	2009 %
Discount rate	9.11%	9.21%
General Salary Inflation (long-term)	6.43%	6.67%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.52%	2.38%

The amounts recognised in the Statement of Financial Position are as follows:

	2010 R	2009 R
Present value of fund obligations	625 780	581 513
<b>Net liability/(asset)</b>	<b>625 780</b>	<b>581 513</b>

Reconciliation of present value of fund obligation:

	2010 R	2009 R
Present value of fund obligation at the beginning of the year	581 513	498 006
Total expenses	66 708	80 737
Current service cost	85 146	60 764
Interest Cost	50 465	52 736
Benefits Paid	(68 903)	(32 763)
Actuarial (gains)/losses	(22 441)	2 770
Present value of fund obligation at the end of the year	625 780	581 513
<b>Less:</b> Transfer of Current Portion - Note 5	(36 603)	(68 903)
<b>Balance 30 June</b>	<b>589 177</b>	<b>512 610</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0.626	
General salary inflation	1%	0.673	8%
General salary inflation	-1%	0.583	-7%
Average retirement age	-2 yrs	0.567	-9%
Average retirement age	2 yrs	0.715	14%
Withdrawal rates	-50%	0.743	19%

4 CONSUMER DEPOSITS

	2010 R	2009 R
Water	26 963	28 724
Electricity	84 489	84 612
<b>Total Consumer Deposits</b>	<b>111 453</b>	<b>113 337</b>

5 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 3	160 824	147 888
Current Portion of Long-Service Provisions - Note 3	36 603	68 903
Staff Leave	504 215	363 338
<b>Total Current Employee Benefits</b>	<b>701 642</b>	<b>580 129</b>

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	363 338	336 034
Contribution to current prtion	140 877	27 304
<b>Balance at end of year</b>	<b>504 215</b>	<b>363 338</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

6 TRADE AND OTHER PAYABLES

Trade Payables	202 312	1 099 809
Rent	-	44 751
Payments received in advance	318 607	202 593
Other Creditors	2 244 180	255 873
Correction of Auditors General Outstanding Account as Trade Payable - Note 31.07	-	1 031 389
<b>Total Trade Payables</b>	<b>2 765 099</b>	<b>2 634 415</b>

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

<b>Unspent Grants</b>	5 316 230	633 568
National and Provincial Government Grants	5 316 230	633 568
<b>Less:</b> Unpaid Grants	480 795	-
National and Provincial Government Grants	480 795	-
<b>Total Conditional Grants and Receipts</b>	<b>4 835 434</b>	<b>633 568</b>

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

8 TAXES

VAT Payable	731 565	2 212 718
VAT Receivable	24 766	1 516 370
	<b>706 799</b>	<b>696 348</b>

VAT is payable/receivable on the cash basis.



KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010	2009
		R	R
9	PROPERTY, PLANT AND EQUIPMENT		
	<u>See attached sheet</u>		





KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
<b>Fully Depreciated assets still in use were as follows:</b>		
Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-
<b>Carrying value of assets retired from active use and held for disposal:</b>		
Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-
<b>Carrying value of temporarily idle property plant and equipment:</b>		
Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>9</b>		
<b>PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
<b>Impairment of property plant and equipment</b>		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Cumulative impairment charges included in major balances</b>		
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Effect of changes in accounting estimates</b>		
Disclose the effect of a change in accounting estimate will have on the current period and subsequent periods.		
	2010 R	2011 R
No change in accounting estimate.	-	-
	<u>-</u>	<u>-</u>
<b>Details of property plant and equipment carried at fair value</b>		
No property, plant and equipment are carried at fair value.		
Carrying value of revalued property, plant and equipment that would have been recognised under the cost model if the cost model was applied:		
Cost (list each category of assets)	-	-
Accumulated Depreciation	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Reconciliation of revaluation surplus:		
Opening balance	-	-
Movement for the period	-	-
	<u>-</u>	<u>-</u>
Closing balance	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>10</b>		
<b>INVESTMENT PROPERTY</b>		
<b>Net Carrying amount at 1 July</b>	<b>18 229 400</b>	<b>18 265 200</b>
Cost	18 265 200	18 265 200
Balance previously reported	18 265 200	-
Correction of error. Refer to note 31.05	-	18 265 200
Accumulated Depreciation	(35 800)	-
Depreciation for the year	(35 800)	(35 800)
<b>Net Carrying amount at 30 June</b>	<b>18 193 600</b>	<b>18 229 400</b>
Cost	18 265 200	18 265 200
Accumulated Depreciation	(71 600)	(35 800)

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>10 INVESTMENT PROPERTY (CONTINUE)</b>		
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 47.3		
Revenue derived from the rental of investment property:		
Commonage Rent	339 787	380 408
Municipal Housing Rent	62 309	74 056
	<hr/>	<hr/>
Operating expenditure incurred on properties generating revenue	-	-
	<hr/>	<hr/>
Operating expenditure incurred on properties not generating revenue	-	-
	<hr/>	<hr/>
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Estimated Fair Value of Investment Property at 30 June	18 265 200	18 265 200
	<hr/>	<hr/>
Fair value was determined by valuation roll of 1 July 2009.		

	2010 R	2009 R
<b>11 INTANGIBLE ASSETS</b>		
<b>Computer System &amp; Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>718 142</b>	<b>797 935</b>
Cost	797 935	797 935
Balance previously reported	797 935	-
Intangible Assets not previously recognised transferred from Accumulated Surplus - Note 30.1	-	797 935
Accumulated Amortisation	(79 794)	-
Amortisation	(79 794)	(79 794)
Amortisation 2008/09 not previously recognised transferred from Statement of Financial Performance - See Note 30.11	-	(79 794)
<b>Net Carrying amount at 30 June</b>	<b>638 348</b>	<b>718 142</b>
Cost	797 935	797 935
Accumulated Amortisation	(159 587)	(79 794)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 47.4

The following material intangible assets are included in the carrying value above

	<u>Remaining Amortisation</u> <u>Period</u>	<b>Carrying Value</b>	
<u>Description</u>		2010 R	2009 R
None			

No intangible asset were assed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
12	<b>INVENTORY</b>		
	Consumable Stores - Stationery and materials - At cost	-	-
	Maintenance Materials - At cost	-	-
	Water – at cost	5 858	3 623
	Water Inventory not previously recognised transferred from Accumulated Surplus - Note 30.09	-	2 539
	Water Inventory not previously recognised transferred from Changes to Statement of Financial Performance - Note 30.09	-	1 083
	Spare Parts - At cost		
	<b>Total Inventory</b>	<b>5 858</b>	<b>3 623</b>
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surplusses identified during the annual stores counts.	-	-
	Inventory recognised as an expense during the year	-	-
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 47.5		
13	<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	<b>Service Receivables</b>		
	Water	1 076 194	1 065 099
	Electricity	677 347	658 145
	Housing Rentals	13 547	21 312
	Refuse	834 036	763 227
	Sewerage	645 620	593 153
	<b>Total Service Receivables</b>	<b>3 246 744</b>	<b>3 100 935</b>
	Less: Allowance for Doubtful Debts	(1 863 261)	(1 920 953)
	<b>Net Service Receivables</b>	<b>1 383 482</b>	<b>1 179 982</b>
	<b>Other Receivables</b>		
	Other Arrears	6 455 430	6 339 364
	<b>Total Other Receivables</b>	<b>6 455 430</b>	<b>6 339 364</b>
	Less: Allowance for Doubtful Debts	(6 277 613)	(4 869 863)
	<b>Net Other Receivables</b>	<b>177 817</b>	<b>1 469 501</b>
	<b>Total Net Receivables from Exchange Transactions</b>	<b>1 561 300</b>	<b>2 649 483</b>
	<b>Ageing of Receivables from Exchange Transactions</b>		
	<b>(Electricity): Ageing</b>		
	Current (0 - 30 days)	367 303	192 520
	31 - 60 Days	62 541	69 647
	61 - 90 Days	30 859	51 121
	+ 90 Days	216 645	344 857
	<b>Total</b>	<b>677 347</b>	<b>658 145</b>
	<b>(Water): Ageing</b>		
	Current (0 - 30 days)	108 968	148 280
	31 - 60 Days	69 154	77 754
	61 - 90 Days	54 601	68 503
	+ 90 Days	843 471	770 562
	<b>Total</b>	<b>1 076 194</b>	<b>1 065 099</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>13</b>		
<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)</b>		
<b><u>(Refuse): Ageing</u></b>		
Current (0 - 30 days)	87 939	75 371
31 - 60 Days	48 871	57 582
61 - 90 Days	42 715	46 866
+ 90 Days	654 510	583 408
<b>Total</b>	<b>834 036</b>	<b>763 227</b>
<b><u>(Sewerage): Ageing</u></b>		
Current (0 - 30 days)	79 458	68 319
31 - 60 Days	41 650	48 099
61 - 90 Days	34 929	37 795
+ 90 Days	489 583	438 940
<b>Total</b>	<b>645 620</b>	<b>593 153</b>
<b>14</b>		
<b>TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
	<b>2010 R</b>	<b>2009 R</b>
<b><u>Service Receivables</u></b>		
Taxes - Rates	2 463 535	1 988 337
<b>Total Service Receivables</b>	<b>2 463 535</b>	<b>1 988 337</b>
Less: Allowance for Doubtful Debts	(1 718 671)	(1 260 409)
<b>Net Service Receivables</b>	<b>744 864</b>	<b>727 928</b>
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>744 864</b>	<b>727 928</b>

**Ageing of Receivables from Non-Exchange Transactions**

**(Rates): Ageing**

Current (0 - 30 days)	138 852	319 116
31 - 60 Days	128 755	91 569
61 - 90 Days	115 082	83 668
+ 90 Days	1 690 124	1 335 171
Receivables with Credit Balances	(156 037)	(127 753)
<b>Total</b>	<b>2 072 813</b>	<b>1 701 771</b>

**Summary of Receivables by Customer Classification**

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2010</b>				
Total Receivables	11 428 709	235 110	501 890	12 165 709
Less: Provision for doubtful debts	(9 859 545)	-	-	(9 859 545)
<b>Total Recoverable debtors by customer classification</b>	<b>1 569 164</b>	<b>235 110</b>	<b>501 890</b>	<b>2 306 164</b>

**Summary of Receivables by Customer Classification**

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2009</b>				
Total Receivables	10 821 858	126 501	480 278	11 428 637
Less: Provision for doubtful debts	(8 051 225)	-	-	(8 051 225)
<b>Total Recoverable debtors by customer classification</b>	<b>2 770 632</b>	<b>126 501</b>	<b>480 278</b>	<b>3 377 411</b>



KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14	TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2010 R	2009 R
	<u>Trade and other receivables impaired</u>		
	<b>2010</b>		
		<b>Exchange Transactions R's</b>	<b>Non-Exchange Transactions R's</b>
			<b>Total R's</b>
	Total	<u>(8 140 874)</u>	<u>(1 718 671)</u>
			<u>(9 859 545)</u>
	<b>2009</b>		
		<b>Exchange Transactions R's</b>	<b>Non-Exchange Transactions R's</b>
			<b>Total R's</b>
	Total	<u>(6 790 816)</u>	<u>(1 260 409)</u>
			<u>(8 051 225)</u>

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.  
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

	2010 R	2009 R
Balance at beginning of the year	8 051 225	7 301 804
Contributions to provision	2 099 686	749 421
Doubtful debts written off against provision	(291 366)	-
<b>Balance at end of year</b>	<u><b>9 859 545</b></u>	<u><b>8 051 225</b></u>
	<b>2010 R</b>	<b>2009 R</b>

15 OPERATING LEASE ARRANGEMENTS

15.1 The Municipality as Lessor

<b>Balance on 1 July</b>	1 892	-
Operating Lease Asset previously not recognised - Note 30.12 and Note 30.13	-	1 079
<b>Restated Balance on 1 July</b>	<u>1 892</u>	<u>1 079</u>
Operating Lease Asset previously not recognised - Note 30.14 and Note 30.13		813
Operating Lease Asset for the current year	625	-
<b>Balance on 30 June</b>	<u><b>2 517</b></u>	<u><b>1 892</b></u>

Karoo Hoogland Municipality is leasing land to rate payers for periods of 119 months with escalations of 10% per year.

	2010 R	2009 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	2 278	2 071
1 to 5 Years	11 629	10 571
More than 5 Years	7 031	10 366
<b>Total Operating Lease Arrangements</b>	<u><b>20 938</b></u>	<u><b>23 009</b></u>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land being leased out for a period until 2017

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>16 CASH AND CASH EQUIVALENTS</b>		
<b>Assets</b>		
Call Investments Deposits	342 491	664 190
Primary Bank Account	3 065 088	133 511
Cash Floats	500	500
<b>Total Cash and Cash Equivalents - Assets</b>	<b>3 408 080</b>	<b>798 201</b>
	2010 R	2009 R
<b>Liabilities</b>		
Primary Bank Account	-	959 153
<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>-</b>	<b>959 153</b>
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The municipality has the following bank accounts:		
<b>Current Accounts</b>		
Fraserburg - ABSA – 2490000065 (Primary Bank Account):	2 274 391	(959 153)
Williston - Standard Bank – 083212442 ( Second Primary Bank Account)	790 697	133 511
	<b>3 065 088</b>	<b>133 511</b>
<b>Fraserburg - ABSA – 2490000065 (Primary Bank Account):</b>		
Cash book balance at beginning of year	(959 153)	(543 829)
Cash book balance at end of year	2 274 391	(959 153)
Bank statement balance at beginning of year	(950 945)	(543 829)
Bank statement balance at end of year	2 273 701	(950 945)
<b>Williston - Standard Bank – 083212442 ( Second Primary Bank Account)</b>		
Cash book balance at beginning of year	133 511	134 412
Cash book balance at end of year	790 697	133 511
Bank statement balance at beginning of year	114 380	134 412
Bank statement balance at end of year	789 497	114 380
<b>Call Investment Deposits</b>		
Call investment deposits consist out of the following accounts:		
Williston - ABSA – 7044377505	-	35 476
Williston - ABSA – 74340121	-	71 815
Williston - ABSA – 5044382964	-	27 567
Williston - ABSA – 9062919052	-	66 887
Williston - ABSA – 8044359317	-	31 690
Williston - ABSA – 4054352064	342 491	327 305
Williston - ABSA – 3044382686	-	22 308
Williston - ABSA – 3044382678	-	52 008
Williston - ABSA – 4052748553	-	29 135
	342 491	664 190

	2010 R	2009 R
<b>17 PROPERTY RATES</b>		
<b>Actual</b>		
<b>Rateable Land and Buildings</b>	6 591 524	1 224 564
Residential, Commercial Property, State	6 591 524	1 224 564
<b>Less: Rebates</b>	(4 889 848)	(846 525)
<b>Total Assessment Rates</b>	<b>1 701 676</b>	<b>378 040</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17

PROPERTY RATES (CONTINUE)

	2010 R	2009 R
<b>Valuations - 1 JULY 2009</b>		
<b>Rateable Land and Buildings</b>	2 246 064 700	44 021 432
Residential	218 239 200	29 941 342
Business	42 332 100	3 743 400
Governments	41 568 100	9 957 750
Private schools	1 056 800	-
Church Rates	9 005 800	4 510
Departmental Rates	23 889 500	12 210
Old Age Homes	3 355 000	-
Building Clause	1 384 000	122 190
Farms	1 904 563 200	229 880
Other	671 000	10 150
<b>Total Assessment Rates</b>	<b>2 246 064 700</b>	<b>44 021 432</b>

**Valuations on 1 JULY 2009: IN ANY FORMAT YOU CAN GIVE**

	Building Clause Valuation	Site Valuation	Building Valuation	Total Valuation
Residential	53 000	5 258 900	212 927 300	218 239 200
Business	-	278 800	42 053 300	42 332 100
Governments	6 000	1 161 200	40 400 900	41 568 100
Private schools	-	21 800	1 035 000	1 056 800
Church Rates	-	167 600	8 838 200	9 005 800
Departmental Rates	-	1 167 800	22 721 700	23 889 500
Old Age Homes	-	-	3 355 000	3 355 000
Building Clause	79 500	1 116 800	187 700	1 384 000
Farms	-	1 901 601 700	2 961 500	1 904 563 200
Other	-	486 000	185 000	671 000
<b>Total Property Valuations</b>	<b>138 500</b>	<b>1 911 260 600</b>	<b>334 665 600</b>	<b>2 246 064 700</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows:  
Residential - The first R15 000 on the valuation is exempted.

Assessment Rates are levied on the values of immovable properties. A new valuation and first supplementary roll were performed during 2009/10 for Karoo Hoogland Municipality. The rates applicable is proclaimed by PK 1312 dated 15 June 2009.

Rates are levied monthly and annually and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

18

GOVERNMENT GRANTS AND SUBSIDIES

	2010 R	2009 R
<b>Unconditional Grants</b>	<b>8 024 004</b>	<b>6 262 177</b>
Equitable Share - Refer to Note 18.1	8 024 004	6 262 177
<b>Conditional Grants</b>	<b>7 447 735</b>	<b>8 451 451</b>
Health Officer	47 155	1 448 593
EPWP Projects	1 251 193	69 793
MIG ProjectsOxidation dams	2 686 567	4 920 911
Financial Management Grant	2 116 196	1 173 380
Municipal Systems Infr Grant	814 589	535 000
LG Seta Skills Development	2 297	-
Library Development Fund	48 942	28 987
District Mun Surplus Funds	480 795	274 787
<b>Total Government Grants and Subsidies</b>	<b>15 471 739</b>	<b>14 713 628</b>
Government Grants and Subsidies - Capital	2 751 394	5 262 580
Government Grants and Subsidies - Operating	12 720 345	9 451 047
	<b>15 471 739</b>	<b>14 713 628</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
<b>18</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
<b>18.1</b>	<b>Equitable share</b>		
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.		
	All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R206.38 per month (2009: R190.80).		
	(See Appendix "F" for a reconciliation of all grants).		
<b>19</b>	<b>PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
	Museum Donations	1 045	1 318
		<b>1 045</b>	<b>1 318</b>
<b>20</b>	<b>CHANGES IN FAIR VALUE</b>		
<b>20.1</b>	<b>Transactions that gives an increase in surplus</b>		
	Unamortised discount - Interest - Expenditure	75 838	74 643
	<b>Total changes in fair value</b>	<b>75 838</b>	<b>74 643</b>
		<b>2010 R</b>	<b>2009 R</b>
<b>21</b>	<b>SERVICE CHARGES</b>		
	Electricity	3 920 881	3 204 207
	Service Charges	4 181 431	3 385 285
	<u>Less:</u> Rebates	(260 549)	(181 079)
	Water	1 522 113	1 391 538
	Service Charges	1 625 801	1 560 545
	<u>Less:</u> Rebates	(103 688)	(169 007)
	Refuse removal	1 311 931	1 201 767
	Service Charges	1 395 679	1 298 343
	<u>Less:</u> Rebates	(83 748)	(96 575)
	Sewerage and Sanitation Charges	1 121 723	1 057 443
	Service Charges	1 205 471	1 154 018
	<u>Less:</u> Rebates	(83 748)	(96 575)
	<b>Total Service Charges</b>	<b>7 876 648</b>	<b>6 854 955</b>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
		<b>2010 R</b>	<b>2009 R</b>
<b>22</b>	<b>OTHER REVENUE</b>		
	Other income represents sundry income such as administration income, SARS Revenue and Sale of land.	877 432	2 192 938
	<b>Total Other Income</b>	<b>877 432</b>	<b>2 192 938</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>23 EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	9 091 906	5 707 658
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	678 505	646 150
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	354 814	756 716
Overtime	255	-
Bargaining Council;	4 943	3 408
Bonuses	560 588	493 948
Provision for leave	125 691	8 689
Skills Development	97 048	62 824
Contribution to provision - Long Service Awards - Note	85 146	60 764
Contribution to provision - Post Retirement Medical - Note	79 588	79 322
<b>Total Employee Related Costs</b>	<b>11 078 482</b>	<b>7 819 479</b>
<b>KEY MANAGEMENT PERSONNEL</b>		
Municipal Manager is appointed on 11 June 2009 with a contract ending three months after the Municipal elections in 2011. The Head of Corporate Services and Infrastructure were appointed 1 July 2009 and there contracts ends the same date as the Municipal Manger. The CFO post is vacant and is filled with a person in acting capacity. There are no post-employment or termination benefits payable to them at the end of the contract period.		
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<i><b>Remuneration of the Municipal Manager</b></i>		
Annual Remuneration	592 227	611 899
Performance Bonuses	-	-
Car Allowance	-	-
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>592 227</b>	<b>611 899</b>
<i><b>Remuneration of the Director Infrastructure and Technical Services (FJ Lotter acting 2008/2009 and contract 2009/2010)</b></i>		
Annual Remuneration	365 933	376 777
Performance Bonuses	-	-
Housing Subsidy	-	-
Travelling Allowance	-	-
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>365 933</b>	<b>376 777</b>
<i><b>Remuneration of the Director Corporate Services (LG Hoorn acting 2008/2009 &amp; CV Peterson contract 2009/2010)</b></i>		
Annual Remuneration	361 389	201 000
Performance Bonuses	-	-
Travelling Allowance	-	-
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>361 389</b>	<b>201 000</b>
<i><b>Remuneration of the Director Financial Services (K van Schalkwyk acting 2008/2009 &amp; 2009/2010)</b></i>		
Annual Remuneration	494 000	427 274
Performance Bonuses	-	-
Car Allowance	-	-
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>494 000</b>	<b>427 274</b>
<b>24 REMUNERATION OF COUNCILLORS</b>		
Mayor	420 729	308 748
Councillors	442 637	346 190
<b>Total Councillors' Remuneration</b>	<b>863 366</b>	<b>654 938</b>
<i><b>In-kind Benefits</b></i>		

The Mayor/Speaker are full-time. The Mayor is provided with secretarial support and an office at the cost of the Council. There were three Mayors in the period 2009/2010. Me J.K. Malho was Mayor till 14 September 2009. Mr J.J. van der Colff from 15 September 2009 till 6 October 2009 and Mr J.J. de Wee from 7 October 2009 till now.

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
25	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 13	1 641 424	632 100
	Trade Receivables from non-exchange transactions - Note 13	458 262	117 321
	<b>Total Contribution to Impairment Provision</b>	<b>2 099 686</b>	<b>749 421</b>
		2010 R	2009 R
26	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	173 008	138 871
	Overdraft Facilities	-	2 265
	Actuarial Interest	281 612	325 757
	Finance leases	26 129	20 123
	<b>Total finance charges</b>	<b>480 750</b>	<b>487 016</b>
27	<b>BULK PURCHASES</b>		
	Electricity	2 898 122	2 192 230
	<b>Total Bulk Purchases</b>	<b>2 898 122</b>	<b>2 192 230</b>
28	<b>GRANTS AND SUBSIDIES</b>		
	Logan Art Festival	27 500	20 000
	Williston Landbou	27 500	20 500
	Youth development	-	10 000
	Culture Festival	23 662	-
	Other Grants	2 500	-
	<b>Total Grants and Subsidies</b>	<b>81 162</b>	<b>50 500</b>
		2010 R	2009 R
29	<b>GENERAL EXPENSES</b>		
	Travelling: Municipal Manager	77 946	39 381
	Dog Licence;	78 540	32 980
	Refuse bags purchases;	87 985	32 400
	Bank Charges;	99 650	97 140
	Mayoral Project Bricks;	120 461	-
	Insurance;	135 502	113 719
	Stationary;	178 320	129 608
	Fuel;	415 090	413 746
	Telephone;	499 190	425 309
	Travelling Cost;	622 411	311 755
	Auditfees;	711 100	440 546
	Other expenditure	318 517	1 603 093
	<b>General Expenses</b>	<b>3 344 710</b>	<b>3 639 677</b>
		2009 R	2008 R
30	<b>CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3</b>		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality accounted for under the Institute of Municipal Finance Officers (IMFO) Accountants arising from the implementation of General Recognised Accounting Practice (GRAP):		
30.01	<b>Statutory Funds</b>		
	<b>Balance previously reported:</b>	(2 951 809)	3 116 717
	Revolving fund	2 690	2 968 719
	Revolving fund	(2 971 409)	
	Civil defence fund;	4 048	26 708
	IDP Fund	(589)	29 724
	Housing Development Fund	7 524	86 931
	Dog tax;	5 928	4 635
	<b>Implementation of GRAP</b>		
	Transfer to Accumulated Surplus/(Deficit) - Note 30.12	2 971 409	(3 116 717)
	Transfer to St. of Financial Performance - Note 30.14	(19 601)	
	<b>Total</b>	<b>-</b>	<b>-</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 (CONTINUE)	2009 R	2008 R
30.02	<b>Loans Redeemed and Other Capital Receipts</b>		
	<b>Balance previously reported:</b>	-	15 272 651
	<b>Implementation of GRAP</b>		
	Outstanding Internal Loans Transfer to Capitalisation Reserve	5 376 811	-
	Transfer of balance on 30 June 2008 to Accumulated Surplus/(Deficit) - Note 30.12	-	(15 272 651)
	Transfer to St. of Financial Performance - Note 30.14	(5 376 811)	-
	<b>Total</b>	<b>5 376 811</b>	<b>-</b>
30.03	<b>Provisions and Reserves</b>		
	<b>Balance previously reported:</b>		
	Renewal machinery & equipment	2 387	29 302
	Combined grave yard fund	1 663	20 645
	<b>Total</b>	<b>4 050</b>	<b>49 948</b>
	<b>Implementation of GRAP</b>		
	Transfer to Accumulated Surplus/(Deficit) - Note 30.12		(49 948)
	Transfer to St. of Financial Performance - Note 30.14	(4 050)	
	<b>Total</b>	<b>-</b>	<b>-</b>
30.04	<b>Long-term Liabilities</b>		
	Finance Leases moved from operating to Liabilities as they are required by GRAP.		
	<b>Balance previously reported:</b>	-	-
	Opening balance GRAP movements 2008	(961 204)	-
	<b>Implementation of IAS 39 - Financial Instruments</b>	111 316	(961 204)
	Leases Liabilities not previously recognised transferred from Accumulated Surplus - Note 30.12	-	183 362
	Restatement of fair values of External loans out of Surplus up to 30 June 2008 - Note 30.12	-	(1 144 566)
	Restatement of fair values of External loans for the year 2008/09 - Note 30.14	74 643	-
	Leases Liabilities not previously recognised transferred from Statement of Financial Performance - See Note 30.14	36 673	-
	<b>Total</b>	<b>(849 888)</b>	<b>(961 204)</b>
30.05	<b>Non-Current Employee Benefits</b>		
	Employee Benefits recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	3 061 090	-
	<b>Implementation of IAS 19</b>		
	Transfer to Accumulated Surplus/(Deficit) - Note 30.12	<b>(116 830)</b>	<b>3 061 090</b>
	Post Employment Medical Benefit Fund not previously recognised transferred from Accumulated Surplus - Note 30.12	-	2 563 084
	Long-service not previously recognised transferred from Accumulated Surplus - Note 30.12	-	498 006
	Post Employment Medical Benefit Fund not previously recognised transferred from Statement of Financial Performance - Note 30.14	(131 434)	
	Long-service not previously recognised transferred from Statement of Financial Performance - Note 30.14	14 604	
	<b>Total</b>	<b>2 944 260</b>	<b>3 061 090</b>
30.06	<b>Current Employee Benefits</b>		
	Employee Benefits recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	-	-
	<b>Implementation of GRAP</b>		
	Post Employment Medical Benefit Fund not previously recognised transferred from Statement of Financial Performance - Note 30.14	147 888	-
	Long-service not previously recognised transferred from Statement of Financial Performance - Note 30.14	68 903	-
	<b>Total</b>	<b>216 791</b>	<b>-</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 (CONTINUE)	2010 R	2009 R
30.07	<b>Property, Plant and Equipment - GRAP 17</b>		
	Property, Plant and Equipment recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	-	-
	<b>Implementation of GRAP</b>		
	Finance Leases Assets not previously recognised transferred from Accumulated Surplus - See Note 30.12	-	212 500
	<b>Total</b>	<u>-</u>	<u>212 500</u>
30.08	<b>Accumulated Depreciation - GRAP 17</b>		
	Accumulated Depreciation recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	-	-
	<b>Implementation of GRAP</b>	670 051	37 735
	Backlog Depreciation: Land and Buildings	603 807	-
	Backlog Depreciation: Infrastructure	4 416	-
	Backlog Depreciation: Lease Assets	42 500	37 735
	Backlog Depreciation: Other	19 329	-
	Backlog depreciation: Investment Properties	35 800	-
	Transfer to Accumulated Surplus/(Deficit) - Note 30.12 & 30.14	<u>705 851</u>	<u>37 735</u>
30.09	<b>Inventory - Water</b>		
	Water Inventory recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	2 539	-
	<b>Implementation of GRAP</b>		
	Water Inventory not previously recognised transferred from Accumulated Surplus - Note 30.12	-	2 539
	Water Inventory not previously recognised transferred from Changes to Statement of Financial Performance - Note 30.14	1 083	-
	<b>Total</b>	<u>3 623</u>	<u>2 539</u>
30.10	<b>Intangible Assets</b>		
	Intangible Assets recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	797 935	-
	<b>Implementation of GRAP</b>		
	Intangible Assets not previously recognised transferred from Accumulated Surplus - Note 30.12	-	797 935
	<b>Total</b>	<u>797 935</u>	<u>797 935</u>
30.11	<b>Accumulated Amortisation</b>		
	Accumulated Amortisation on Intangible Assets recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	-	-
	<b>Implementation of GRAP</b>		
	Amortisation 2008/09 not previously recognised transferred from Statement of Financial Performance - See Note 30.14	79 794	-
	<b>Total</b>	<u>79 794</u>	<u>-</u>



KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
<b>30</b>	<b>CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 (CONTINUE)</b>		
<b>30.12</b>	<b>Accumulated Surplus/(Deficit)</b>		
	Movements on Accumulated Surplus recorded as they are required by GRAP.		
	<b>Implementation of GRAP</b>		
	Non-current Employee Benefits previously not recognised - Note 30.05	-	(3 061 090)
	Transfer from Statutory Funds - Note 30.01	(2 971 409)	3 116 717
	Transfer from Loans Redeemed and Other Capital Receipts - Note 30.02	-	15 272 651
	Transfer from Provisions and Reserves - Note 30.03	-	49 948
	Unbundling of Appropriation Account to St. of Fin Performance- Note 30.14	91 105	-
	Finance Leases Assets not previously recognised transferred from Accumulated Surplus - See Note 30.07		212 500
	Water Inventory not previously recognised - Note 30.09	-	2 539
	Intangible Assets not previously recognised - Note 30.10	-	797 935
	Lease liability - Redemption previously recognised as expenditure - Transfer to Long Term Liabilities Note 30.04	-	(183 362)
	Restatement of fair values of External loans out of Surplus up to 30 June 2008 - Note 30.04	-	1 144 565.94
	Backlog depreciation - Note 30.08	-	(37 735)
	Operating Lease Asset previously not recognised - Note 30.13	-	1 079
	<b>Total</b>	<b>(2 880 304)</b>	<b>17 315 748</b>
<b>30.13</b>	<b>Operating Lease Assets</b>		
	Operating Lease Assets recorded as they are required by GRAP.		
	<b>Balance previously reported</b>		
	Opening balance GRAP movements 2008	1 079	-
	<b>Implementation of GRAP</b>		
	Operating Lease Asset previously not recognised for opening balance - Note 15.1 and Note 30.12	-	1 079
	Operating Lease Asset previously not recognised for 2007-08 - Note 15.1 and Note 30.14	813	-
	<b>Total</b>	<b>1 892</b>	<b>1 079</b>
<b>30.14</b>	<b>Changes to Statement of Financial Performance</b>		
	Movements on Operating account recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	<b>1 720 419</b>	-
	<b>Implementation of GRAP and IAS 39 - Financial Instruments</b>		
	Transfer from Statutory Funds (Interest received) - Note 30.01	20 256.68	-
	Transfer from Statutory Funds (Bank Charges) - Note 30.01	(656)	-
	Transfer from Provisions and Reserves (Interest received) - Note 30.03	4 050	-
	Transfer from Loans Redeemed and Other Capital Receipts (External Redemption) - Note 30.02	122 850	-
	Transfer from Loans Redeemed and Other Capital Receipts (Contributed PPE) - Note 30.02	5 253 961	-
	Unbundling of Appropriation Account to - Note 30.12	91 105	-
	Leases Liabilities not previously recognised transferred from Statement of Financial Performance - See Note 30.04	36 673	-
	Current Employee Benefits previously not recognised - Note 30.06	-216 791	-
	Non-Current Employee Benefits previously not recognised - Note 30.05	116 830	-
	Amortisation 2008/09 not previously recognised transferred from Statement of Financial Performance - See Note 30.11	(79 794)	-
	Recording Depreciation on PPE & Investment Property for the year ended 30 June 2009 - See Note 30.08	(705 851)	-
	Calculation of Water inventory movement for the year 2008-09 - See Note 30.09	1 083	-
	Adjusting the operating lease asset for the previous year - Note 30.13 and Note 15.1	813	-
	Restatement of interest expenditure - Unamortised discount - Note 30.04	(74 643)	-
	<b>Total</b>	<b>6 290 306</b>	-
		<b>2009 R</b>	<b>2008 R</b>

**31 CORRECTION OF ERROR IN TERMS OF GRAP 3**

**31.01 Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities"**

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories  
 GRAP 16 – Investment Property  
 GRAP 17 – Property, Plant and Equipment  
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets  
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations  
 GRAP 102 – Intangible Assets

These provisions were not adopted in the prior year and are now adopted for periods ending on and after 30 June 2009.

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
31	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)</b>		
31.02	<b>Trade Receivables from Exchange transactions</b>		
	<b>Balance previously reported</b>	-	-
	Correction of Receivable that must be Income for gone - Refer Note 31.07	(1 389 760)	-
	<b>Total</b>	<b>(1 389 760)</b>	<b>-</b>
31.03	<b>Property, Plant and Equipment - GRAP 17</b>		
	Property, Plant and Equipment recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	<b>25 255 092</b>	<b>20 057 584</b>
	Opening balance GRAP movements 2008	(524 584)	-
	<b>Implementation of GRAP</b>		
	Restructure of Fixed Asset Register, as no register existed: General Ledger amount Fixed Assets moved to Accumulated Surplus/deficit - See Note 31.06	-	(20 057 584)
	Restructure of Fixed Asset Register, as no register existed: Restructured Fixed Asset Register amount moved from Accumulated Surplus/deficit - See Note 31.06	-	19 320 500
	Restructure of Fixed Asset Register, as no register existed: Restructured Fixed Asset Register amount corrected additions moved from St. of Financial Performance - See Note 31.07	65 072	-
	Change in Accounting Policy - Finance Leases not previously recognised transferred from Surplus & Statement of Financial Performance - See Note 30.07		212 500
	<b>Total</b>	<b>24 795 580</b>	<b>19 533 000</b>
31.04	<b>Provision for Impairment</b>		
	<b>Balance previously reported</b>	(9 493 842)	-
	Correction of over provision of bad debt to Surplus - Note 31.06	1 442 617	-
	<b>Total</b>	<b>(8 051 225)</b>	<b>-</b>
31.05	<b>Investment Properties</b>		
	Investment Properties recorded as they are required by GRAP.		
	<b>Balance previously reported</b>	-	-
	Opening balance GRAP movements 2008	-	-
	<b>Implementation of GRAP</b>		
	Investment Properties not Previously recognised transferred from Accumulated Surplus - Note 31.06	-	18 265 200
	<b>Total</b>	<b>-</b>	<b>18 265 200</b>
31.06	<b>Accumulated Surplus/(Deficit)</b>		
	Restructure of Fixed Asset Register, as no register existed: General Ledger amount Fixed Assets moved to Accumulated Surplus/deficit - See Note 31.03	-	(20 057 584)
	Restructure of Fixed Asset Register, as no register existed: Restructured Fixed Asset Register amount moved from Accumulated Surplus/deficit - See Note 31.03	-	19 320 500
	Investment Properties not Previously recognised transferred from Accumulated Surplus - Note 31.05	-	18 265 200
	<b>Total</b>	<b>-</b>	<b>17 528 116</b>
31.07	<b>Changes to Statement of Financial Performance</b>		
	<b>Balance previously reported - Refer note 30.14</b>	6 290 306	-
	Correction of Receivable that must be Income for gone - Refer note 31.02	(1 389 760)	-
	Restructure of Fixed Asset Register, as no register existed: Restructured Fixed Asset Register amount corrected additions moved from St. of Financial Performance - See Note 31.03	65 072	-
	Correction of over provision for impairment from Surplus - Note 31.05	1 442 617	-
	Correction of Auditors General Outstanding Account as Trade Payable - Note 6	(1 031 389)	-
	<b>Total</b>	<b>5 376 845</b>	<b>-</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>32 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	(120 290)	5 376 845
<b>Adjustments for:</b>		
Depreciation	758 391	705 851
Amortisation of Intangible Assets	79 794	79 794
Contribution from/to employee benefits - non-current	(216 791)	(168 255)
Contribution from/to employee benefits - non-current - expenditure incurred	446 346	465 843
Contribution from/to employee benefits - non-current - actuarial losses	(42 736)	(197 627)
Contribution to employee benefits – current	140 877	27 304
Contribution to provisions – Debt Impairment	2 099 686	-
Unamortised discount - Interest - Expenditure	75 838	74 643
Impairment written off	(291 366)	-
Operating lease income accrued	(625)	(813)
Interest income	(474 394)	(430 301)
Interest expense	480 750	487 016
Operating Surplus/(Deficit) before changes in working capital	2 935 479	6 420 300
Changes in working capital	3 603 692	(1 221 642)
Increase/(Decrease) in Trade and Other Payables	130 683	(527 178)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	4 682 662	(293 703)
Increase/(Decrease) in Taxes	10 451	(452 125)
(Increase)/Decrease in Inventory	(2 235)	(1 083)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(480 795)	-
(Increase)/Decrease in Trade Receivables from exchange transactions	(261 874)	(395 294)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(475 198)	447 741
<b>Cash generated/(absorbed) by operations</b>	<b>6 539 172</b>	<b>5 198 658</b>
<b>33 CASH AND CASH EQUIVALENTS</b>	<b>2010 R</b>	<b>2009 R</b>
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 16	342 491	664 190
Cash Floats - Note 16	500	500
Bank - Note 16	3 065 088	133 511
Bank overdraft - Note 16	-	(959 153)
<b>Total cash and cash equivalents</b>	<b>3 408 080</b>	<b>(160 952)</b>
<b>34 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 33	3 408 080	(160 952)
Less:	3 408 080	(160 952)
Unspent Committed Conditional Grants - Note 7	4 835 434	633 568
<b>Resources available for working capital requirements</b>	<b>(1 427 355)</b>	<b>(794 520)</b>
<b>35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 2	3 713 550	3 664 658
Used to finance property, plant and equipment - at cost	-	-
Cash set aside for the repayment of long-term liabilities	4 269 975	3 664 658
<b>Cash invested for repayment of long-term liabilities</b>	<b>(4 269 975)</b>	<b>(3 664 658)</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of 5 % and will be repaid by 2026	-	-

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36 BUDGET COMPARISONS

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
<b>36.1 Operational</b>				
<b>Revenue by source</b>				
Property Rates	1 701 676	5 895 135	(4 193 459)	-71%
Government Grants and Subsidies - Capital	2 751 394	-	2 751 394	100%
Government Grants and Subsidies - Operating	12 720 345	11 720 672	999 673	9%
Public Contributions and Donations	1 045	1 000	45	5%
Actuarial Gains	42 736	-	42 736	100%
Fines	9 661	17 000	(7 339)	-43%
Property Rates - penalties imposed and collection charges	269 558	40 000	229 558	574%
Service Charges	7 876 649	8 598 684	(722 035)	-8%
Rental of Facilities and Equipment	446 229	480 687	(34 458)	-7%
Interest Earned - external investments	53 734	63 368	(9 634)	-15%
Interest Earned - outstanding debtors	420 661	330 000	90 661	27%
Licences and Permits	9 751	2 800	6 951	248%
Agency Services	51 806	335 000	(283 194)	-85%
Other Revenue	877 432	42 668	834 764	1956%
	<u>27 232 677</u>	<u>27 527 014</u>	<u>(294 337)</u>	<u>-1%</u>
<b>Expenditure by nature</b>				
Employee Related Costs	(11 078 482)	(9 442 678)	(1 635 804)	17%
Remuneration of Councillors	(863 366)	(1 104 079)	240 713	-22%
Debt Impairment	(2 099 686)	(2 580 000)	480 314	-19%
Depreciation and Amortisation	(838 185)	-	(838 185)	100%
Repairs and Maintenance	(896 325)	(1 624 414)	728 089	-45%
Unamortised Discount - Inrrest	(75 838)	-	(75 838)	100%
Finance Charges	(480 750)	(130 000)	(350 750)	270%
Bulk Purchases	(2 898 122)	(2 785 000)	(113 122)	4%
Grants and Subsidies	(81 162)	(96 500)	15 338	-16%
Operating Grant Expenditure	(4 696 340)	(2 880 000)	(1 816 340)	63%
General Expenses	(3 344 710)	(6 832 890)	3 488 180	-51%
<b>Net Surplus for the year</b>	<u><b>(120 290)</b></u>	<u><b>51 453</b></u>	<u><b>(171 743)</b></u>	<u><b>-334%</b></u>

Details of material variances

GRAP Implementation

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
<b>36.2 Expenditure by Vote</b>				
Administration	(3 481 600)	(2 558 416)	(923 184)	36%
Cemetery	(109 324)	(179 724)	70 400	-39%
Civil Electro Technical	-	-	-	0%
Communage	(202 634)	(176 731)	(25 903)	15%
Councillor General Expenditure	(2 787 767)	(2 340 449)	(447 318)	19%
Director Economical Development	(147 464)	(125 000)	(22 464)	18%
Director Finance	(9 610 080)	(5 938 881)	(3 671 199)	62%
Electricity	(4 893 865)	(4 793 158)	(100 707)	2%
Health	(54 776)	(7 345)	(47 431)	646%
Library	(464 914)	(420 493)	(44 421)	11%
Parks, Trees and Recreation	(1 118 007)	(781 871)	(336 136)	43%
Projekteenheid	-	-	-	0%
Rates and Taxes	(450 000)	(3 795 135)	3 345 135	-88%
Sanitation	(3 241 160)	(4 374 503)	1 133 343	-26%
Streets & Public Works	(1 846 378)	(1 610 316)	(236 062)	15%
Streetlights	-	(50 000)	50 000	-100%
Television	(144)	(20 000)	19 856	-99%
Townhall and Buildings	(11 959)	(146 293)	134 334	-92%
Water	(1 543 059)	(2 577 148)	1 034 089	-40%
Less Inter-Departmental Charges	2 610 162	2 419 903	190 259	8%
	<u><b>(27 352 967)</b></u>	<u><b>(27 475 560)</b></u>	<u><b>122 593</b></u>	<u><b>0%</b></u>

Details of material variances

GRAP Implementation

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36 BUDGET COMPARISONS (CONTINUE)

36.3 Capital expenditure by vote

Administration	(24 977)	-	(24 977)	100%
Cemetery	(121 233)	-	(121 233)	100%
Civil Electro Technical	(1 751)	-	(1 751)	100%
Communage	(136 581)	-	(136 581)	100%
Councillor General Expenditure	-	-	-	0%
Director Economical Development	(32 700)	-	(32 700)	100%
Director Finance	-	-	-	0%
Electricity	(2 686 567)	(5 941 000)	3 254 433	-55%
Health	(6 983)	-	(6 983)	100%
Library	-	-	-	0%
Parks, Trees and Recreation	-	-	-	0%
	<b>(3 010 792)</b>	<b>(5 941 000)</b>	<b>2 930 208</b>	<b>-49%</b>

Details of material variances

Over-expenditure is on Grants received after budget.

37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

37.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

37.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
Irregular expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

37.4 Material Losses

**Electricity distribution losses**

Units purchased (Kwh)	6 102 475	6 532 681
- Units lost during distribution (Kwh)	165 145	1 110 556
- Percentage lost during distribution	2.71%	17.00%

**Water distribution losses**

- Mega litres purified	-	-
- Mega litres lost during distribution	-	-
- Percentage lost during distribution	0.00%	0.00%

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010	2009
		R	R
38	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
38.1	<b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>		
	Opening balance	17 443	-
	Council subscriptions	35 147	-
	Amount paid - current year	(35 147)	-
	Amount paid - previous years	(17 443)	-
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
38.2	<b><u>Audit fees - [MFMA 125 (1)(b)]</u></b>		
	Opening balance	1 281 389	-
	Current year audit fee	711 100	-
	External Audit - Auditor-General	711 100	-
	Amount paid - current year	-	-
	<b>Balance unpaid (included in creditors)</b>	<b>1 992 489</b>	<b>1 281 389</b>
38.3	<b><u>VAT - [MFMA 125 (1)(b)]</u></b>		
	VAT	(706 799)	(696 348)
	VAT is payable/receivable on the cash basis.		
38.4	<b><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>		
	Current year payroll deductions and Council Contributions	1 380 821	982 975
	Amount paid - current year	(1 380 821)	(982 975)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
38.5	<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>		
	Current year payroll deductions and Council Contributions	1 363 072	1 151 094
	Amount paid - current year	(1 363 072)	(1 151 094)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
38.6	<b><u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>		
	The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2010:		
		2010	2009
		R	R
		Outstanding	Outstanding
		more than 90	more than 90
		days	days
	None		
	<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

2010  
R

2009  
R

38.7

Quotations awarded - Section 45 - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

		Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	None	-	-	-	-
Development Services	None	-	-	-	-
Financial Services	None	-	-	-	-
Technical Services	None	-	-	-	-
Electrical Services	None	-	-	-	-
		-	-	-	-
		-	-	-	-

2010  
R

2009  
R

39

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

Total

3 430 284

739 525

3 430 284

739 525

3 430 284

739 525

2010  
R

2009  
R

This expenditure will be financed from:

Government Grants

3 430 284

739 525

3 430 284

739 525

2010  
R

2009  
R

40

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

40

FINANCIAL RISK MANAGEMENT (CONTINUE)

2010  
R

2009  
R

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

2010  
R

2009  
R

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2009 - 0.5%) Increase in interest rates	3 441	13 781
0.5% (2009 - 0.5%) Decrease in interest rates	(3 441)	(13 781)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 13 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 13 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
Electricity	1.65%	162 978	3.70%	298 092
Water	7.03%	693 490	8.61%	693 219
Refuse	5.78%	570 139	6.51%	524 297
Sewerage	4.43%	436 654	5.03%	405 345
Other Consumer Arrears	63.67%	6 277 613	60.49%	4 869 863
Rates	17.43%	1 718 671	15.65%	1 260 409
	<u>100.00%</u>	<u>9 859 545</u>	<u>100.00%</u>	<u>8 051 225</u>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>40 FINANCIAL RISK MANAGEMENT (CONTINUE)</b>		
<p>The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.</p>		
<p>The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.</p>		
<p>Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p>		
<p>Financial assets exposed to credit risk at year end are as follows:</p>		
Trade receivables and other receivables	2 306 164	3 377 411
Cash and Cash Equivalents	3 408 080	798 201
Unpaid conditional grants and subsidies	480 795	-
	<u>6 195 039</u>	<u>4 175 613</u>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2010</b>				
Long Term liabilities	302 153	1 208 614	1 812 920	1 661 844
Capital repayments	135 749	615 564	1 187 552	1 449 960
Interest	166 405	593 050	625 369	211 885
Trade and Other Payables	202 312	-	-	-
Unspent conditional government grants and receipts	4 835 434	-	-	-
	<u>5 642 053</u>	<u>2 417 227</u>	<u>3 625 841</u>	<u>3 323 689</u>
<b>2009</b>				
Long Term liabilities	302 153	1 208 614	1 812 920	1 963 998
Capital repayments	129 145	585 610	1 129 742	1 673 472
Interest	173 008	623 004	683 179	290 525
Trade and Other Payables	1 099 809	-	-	-
Unspent conditional government grants and receipts	633 568	-	-	-
	<u>2 035 531</u>	<u>1 208 614</u>	<u>1 812 920</u>	<u>1 963 998</u>

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010 R	2009 R
41	<b>FINANCIAL INSTRUMENTS</b>			
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
41.1	<b>Financial Assets</b>	<b>Classification</b>		
	<b>Consumer Debtors</b>			
	Trade receivables from exchange transactions	At amortised cost	3 246 744	3 100 935
	Other receivables from exchange transactions	At amortised cost	6 455 430	6 339 364
	Other receivables from non-exchange transactions	At amortised cost	2 463 535	1 988 337
	<b>Short-term Investment Deposits</b>			
	Call Deposits	At amortised cost	342 491	664 190
	<b>Bank Balances and Cash</b>			
	Bank Balances	At amortised cost	3 065 088	133 511
	Cash Floats and Advances	At amortised cost	500	500
			<b>15 573 788</b>	<b>12 226 838</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	At amortised cost		<b>15 573 788</b>	<b>12 226 838</b>
			<b>2010 R</b>	<b>2009 R</b>
41	<b>FINANCIAL INSTRUMENTS (CONTINUE)</b>			
41.2	<b>Financial Liability</b>	<b>Classification</b>		
	<b>Long-term Liabilities</b>			
	Annuity Loans	At amortised cost	3 253 075	3 388 824
	Capitalised Lease Liability	At amortised cost	235 158	89 026
	<b>Trade Payables</b>			
	Trade creditors	At amortised cost	202 312	1 099 809
	<b>Unspent Conditional Grants and Receipts</b>			
	Other Spheres of Government	At amortised cost	5 316 230	633 568
	<b>Current Portion of Long-term Liabilities</b>			
	Annuity Loans	At amortised cost	135 749	129 145
	Capitalised Lease Liability	At amortised cost	89 568	57 663
			<b>9 232 092</b>	<b>5 398 036</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	At amortised cost		<b>9 232 092</b>	<b>5 398 036</b>
42	<b>EVENTS AFTER THE REPORTING DATE</b>			
	The municipality has no events after reporting date during the financial year ended 2009/2010.			
43	<b>IN-KIND DONATIONS AND ASSISTANCE</b>			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
44	<b>PRIVATE PUBLIC PARTNERSHIPS</b>			
	Council has not entered into any private public partnerships during the financial year.			
45	<b>CONTINGENT LIABILITY</b>			
	There is a possibility of a High Court case against Council regarding the award of a Tender			

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

46 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

46.1 Related Party Transactions

	Rates - Levied 1 Jul 09 - 30 Jun 10	Service Charges - Levied 1 Jul 09 - 30 Jun 10	Other - Levied 1 Jul 09 - 30 Jun 10	Outstanding Balances 30 June 2010
<b>Year ended 30 JUNE 2010</b>				
<b>Councillors</b>	<b>7 229</b>	<b>8 684</b>	<b>-</b>	<b>471</b>
J.J. de Wee	-	1 745	-	46
J.J.J. Storm	-	1 735	-	37
J.K. Malho	-	2 929	-	106
C.D. Malan	1 558	2 276	-	174
S.J.C. Theron	883	-	-	-
M.M. van Wyk	1 381	-	-	-
J.J. van der Colff	3 406	-	-	108
<b>Municipal Manager and Section 57 Employees</b>	<b>8 274</b>	<b>30 088</b>	<b>-</b>	<b>2 613</b>
L. Nothnagel	-	16 405	-	1 052
S.J. van Schalkwyk	3 972	9 983	-	578
F.J. Lötter	4 301	3 700	-	983

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

46.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note to the Annual Financial Statements.

46.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.

46.4 Other related party transactions

		2010	2009
		R	R
The following purchases were made during the year where Councillors or Management have an interest:			
<u>Councillor/Staff Member</u>			
Mr. K van Schalkwyk (Acting CFO)	Soek 'n Slapie Guest House	35 870	27 210
		<u>35 870</u>	<u>27 210</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

**47 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES**

**47.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

**47.2 GRAP 100 - Non-current assets and discontinued operations**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.

**47.3 GRAP 16 - Investment Properties**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties.

The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

**47.4 GRAP 102 - Intangible Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- \* Computer Software;
- \* Intangible assets financed by way of finance leases;
- \* Intangible assets transferred as a result of the transfer of functions; and
- \* Servitudes.

The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

**47.5 GRAP 12 - Inventories**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following inventories:

Land held for sale

The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

**47.6 GRAP 17 - Property, Plant and Equipment**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following Property, Plant & Equipment:

Refer to Note 9

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance	Cost		Closing Balance	Opening Balance	Accumulated Depreciation		Closing Balance	Carrying Value
	R	Additions	Disposals	R	R	Additions	Disposals	R	R
<b>Land and Buildings</b>	19 320 500	-	-	19 320 500	603 807	603 807	-	1 207 613	18 112 887
Land	1 206 300	-	-	1 206 300	-	-	-	-	1 206 300
Buildings	18 114 200	-	-	18 114 200	603 807	603 807	-	1 207 613	16 906 587
<b>Infrastructure</b>	4 920 911	2 686 567	-	7 607 478	4 416	12 963	-	17 379	7 590 099
Sewerage	4 872 135	2 686 567	-	7 558 702	2 826	10 524	-	13 350	7 545 353
Water	48 776	-	-	48 776	1 590	2 439	-	4 029	44 747
<b>Lease Assets</b>	212 500	235 700	-	448 200	80 235	60 833	-	141 068	307 132
Office Equipment	212 500	235 700	-	448 200	80 235	60 833	-	141 068	307 132
<b>Other Assets</b>	341 670	88 525	-	430 195	19 329	44 989	-	64 318	365 877
Office Furniture	-	15 540	-	15 540	-	547	-	547	14 992
Tables and desks	-	12 702	-	12 702	-	351	-	351	12 351
Chairs	-	28 774	-	28 774	-	1 161	-	1 161	27 613
Tractor	162 000	-	-	162 000	9 232	16 200	-	25 432	136 568
Trailer	171 775	-	-	171 775	8 951	20 878	-	29 828	141 947
Computer hardware	7 895	31 509	-	39 403	1 146	5 852	-	6 998	32 405
	24 795 580	3 010 792	-	27 806 373	707 787	722 591	-	1 430 378	26 375 995

KAROO HOOGLAND MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 JUNE 2009

Reconciliation of Carrying Value

	Opening Balance	Cost		Closing Balance	Opening Balance	Accumulated Depreciation		Closing Balance	Carrying Value
	R	Additions	Disposals	R	R	Additions	Disposals	R	R
<b>Land and Buildings</b>	19 320 500	-	-	19 320 500	-	603 807	-	603 807	18 716 693
Land	1 206 300	-	-	1 206 300	-	-	-	-	1 206 300
Correction of error. Refer note 31.03 & 30.08	1 206 300	-	-	1 206 300	-	-	-	-	1 206 300
Buildings	18 114 200	-	-	18 114 200	-	603 807	-	603 807	17 510 393
Correction of error. Refer note 31.03 & 30.08	18 114 200	-	-	18 114 200	-	603 807	-	603 807	17 510 393
<b>Infrastructure</b>	-	4 920 911	-	4 920 911	-	4 416	-	4 416	4 916 495
Sewerage	-	4 872 135	-	4 872 135	-	2 826	-	2 826	4 869 309
Balance previously reported	-	4 933 874	-	4 933 874	-	-	-	-	4 933 874
Correction of error. Refer note 31.03 & 30.08	-	-61 739	-	-61 739	-	2 826	-	2 826	-64 565
Electricity	-	-	-	-	-	-	-	-	-
Balance previously reported	-	302 153	-	302 153	-	-	-	-	302 153
Correction of error. Refer note 31.03 & 30.08	-	-302 153	-	-302 153	-	-	-	-	-302 153
Water	-	48 776	-	48 776	-	1 590	-	1 590	47 186
Correction of error. Refer note 31.03 & 30.08	-	48 776	-	48 776	-	1 590	-	1 590	47 186
<b>Lease Assets</b>	212 500	-	-	212 500	37 735	42 500	-	80 235	132 265
Office Equipment	212 500	-	-	212 500	37 735	42 500	-	80 235	132 265
Correction of error. Refer note 30.07 & 30.11	212 500	-	-	212 500	37 735	42 500	-	80 235	132 265
<b>Other Assets</b>	-	341 670	-	341 670	-	19 329	-	19 329	322 341
Vehicle and Equipment	-	-	-	-	-	-	-	-	-
Balance previously reported	-	320 087	-	320 087	-	-	-	-	320 087
Correction of error. Refer note 31.03 & 30.08	-	-320 087	-	-320 087	-	-	-	-	-320 087
Tractor	-	162 000	-	162 000	-	9 232	-	9 232	152 768
Correction of error. Refer note 31.03 & 30.08	-	162 000	-	162 000	-	9 232	-	9 232	152 768
Trailer	-	171 775	-	171 775	-	8 951	-	8 951	162 824
Correction of error. Refer note 31.03 & 30.08	-	171 775	-	171 775	-	8 951	-	8 951	162 824
Computer hardware	-	7 895	-	7 895	-	1 146	-	1 146	6 748
Correction of error. Refer note 31.03 & 30.08	-	7 895	-	7 895	-	1 146	-	1 146	6 748
	19 533 000	5 262 580	-	24 795 580	37 735	670 051	-	707 787	24 087 794

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9 PROPERTY, PLANT AND EQUIPMENT

**GRAP 17 - Property, Plant and Equipment**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;

Property, Plant and Equipment financed by way of finance leases

Property, Plant and Equipment financed by way of provisions

Property, Plant and Equipment transferred as a result of the transfer of functions; and

Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure, community and other assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure, community and other assets, using global historical costs recorded in the accounting records.

The municipality therefore did not utilise the transitional provision in the following areas

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

**APPENDIX A - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Change in Accounting Policy	Balance at 30 JUNE 2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
<b>ANNUITY LOANS</b>									
DBSA	5.00%	102367/1	2026/12/31	3 517 969	-	3 517 969	-	129 145	3 388 824
<b>Total Annuity Loans</b>				<b>3 517 969</b>	<b>-</b>	<b>3 517 969</b>	<b>-</b>	<b>129 145</b>	<b>3 388 824</b>
<b>LEASE LIABILITY</b>									
TASKALFA 180 Digital copiers	12.04%	Library	2012/09/30	-	-	-	16 350	3 112	13 238
TASKALFA 180 Digital copiers	12.04%	Library	2012/09/30	-	-	-	16 350	3 112	13 238
KYOCERA FS1128 MFP Digital copier	12.19%	Admin	2015/02/28	-	-	-	23 500	1 163	22 337
KYOCERA TASKALFA 221 Digital copier	11.92%	Municipal office	2015/02/28	-	-	-	93 000	4 633	88 367
KYOCERA TASKALFA 250ci Digital copier	12.04%	Municipal Manager Office	2015/02/28	-	-	-	86 500	4 296	82 204
GESTETNER MP 2000SP	11.98%	Municipal office	2012/08/31	-	47 618	47 618	-	13 145	34 473
GESTETNER MP 3500SP	12.06%	Financial office	2012/07/31	-	57 577	57 577	-	16 396	41 181
TRIUMPH ADLER DC 2216	12.14%	Library	2012/07/31	-	41 495	41 495	-	11 806	29 689
				-	-	-	-	-	-
<b>Total Lease Liabilities</b>				<b>-</b>	<b>146 690</b>	<b>146 690</b>	<b>235 700</b>	<b>57 663</b>	<b>324 726</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>3 517 969</b>	<b>146 690</b>	<b>3 664 658</b>	<b>235 700</b>	<b>186 808</b>	<b>3 713 550</b>



**APPENDIX B - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

	Cost/Revaluation						Accumulated Depreciation				Carrying Value
	Opening Balance	O/B Under Construction	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land and Buildings</b>											
Land	1 206 300	-	-	-	-	1 206 300	-	-	-	-	1 206 300
Buildings	18 114 200	-	-	-	-	18 114 200	603 807	603 807	-	1 207 613	16 906 587
	<b>19 320 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 320 500</b>	<b>603 807</b>	<b>603 807</b>	<b>-</b>	<b>1 207 613</b>	<b>18 112 887</b>
<b>Infrastructure</b>											
Sewerage Network	-	4 872 135	-	2 686 567	-	7 558 702	2 826	10 524	-	13 350	7 545 353
Water Network	48 776	-	-	-	-	48 776	1 590	2 439	-	4 029	44 747
	<b>48 776</b>	<b>4 872 135</b>	<b>-</b>	<b>2 686 567</b>	<b>-</b>	<b>7 607 478</b>	<b>4 416</b>	<b>12 963</b>	<b>-</b>	<b>17 379</b>	<b>7 590 099</b>
<b>Leased Assets</b>											
Office Equipment (Lease)	212 500	-	235 700	-	-	448 200	80 235	60 833	-	141 068	307 132
	<b>212 500</b>	<b>-</b>	<b>235 700</b>	<b>-</b>	<b>-</b>	<b>448 200</b>	<b>80 235</b>	<b>60 833</b>	<b>-</b>	<b>141 068</b>	<b>307 132</b>
<b>Other Assets</b>											
Chairs	-	-	28 774	-	-	28 774	-	1 161	-	1 161	27 613
Computer hardware	7 895	-	31 509	-	-	39 403	1 146	5 852	-	6 998	32 405
Office furniture	-	-	15 540	-	-	15 540	-	547	-	547	14 992
Tables and desks	-	-	12 702	-	-	12 702	-	351	-	351	12 351
Tracktor	162 000	-	-	-	-	162 000	9 232	16 200	-	25 432	136 568
Trailer	171 775	-	-	-	-	171 775	8 951	20 878	-	29 828	141 947
	<b>341 670</b>	<b>-</b>	<b>88 525</b>	<b>-</b>	<b>-</b>	<b>430 195</b>	<b>19 329</b>	<b>44 989</b>	<b>-</b>	<b>64 318</b>	<b>365 877</b>
<b>Total Property, Plant and Equipment</b>	<b>19 923 445</b>	<b>4 872 135</b>	<b>324 225</b>	<b>2 686 567</b>	<b>-</b>	<b>27 806 373</b>	<b>707 787</b>	<b>722 591</b>	<b>-</b>	<b>1 430 378</b>	<b>26 375 995</b>
<b>Investment Property</b>											
Land	17 191 200	-	-	-	-	17 191 200	-	-	-	-	17 191 200
Buildings	1 074 000	-	-	-	-	1 074 000	35 800	35 800	-	71 600	1 002 400
	<b>18 265 200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 265 200</b>	<b>35 800</b>	<b>35 800</b>	<b>-</b>	<b>71 600</b>	<b>18 193 600</b>
<b>Intangible Assets</b>											
Computer System	797 935	-	-	-	-	797 935	79 794	79 794	-	159 587	638 348
	<b>797 935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>797 935</b>	<b>79 794</b>	<b>79 794</b>	<b>-</b>	<b>159 587</b>	<b>638 348</b>
<b>Total</b>	<b>38 986 580.47</b>	<b>4 872 135</b>	<b>324 225</b>	<b>2 686 567</b>	<b>-</b>	<b>46 869 508</b>	<b>823 380</b>	<b>838 185</b>	<b>-</b>	<b>1 661 565</b>	<b>45 207 943</b>

**APPENDIX C - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

		Cost						Accumulated Depreciation				Carrying Value
		Opening Balance	O/B Under Construction	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Administration	Budget & Treasury	19 320 500	-	24 977	-	-	19 345 477	603 807	605 488	-	1 209 295	18 136 182
Councillor general expenditure	Executive & Council	-	-	121 233	-	-	121 233	-	9 499	-	9 499	111 734
Director economical development	Planning & Development	60 500	-	1 751	-	-	62 251	23 172	12 108	-	35 280	26 971
Director finance	Budget & Treasury	159 895	-	136 581	-	-	296 475	58 209	40 210	-	98 419	198 057
Library	Community & Social Services	-	-	32 700	-	-	32 700	-	4 874	-	4 874	27 826
Sanitation	Waste Water Management	118 000	4 872 135	-	2 686 567	-	7 676 702	9 550	22 324	-	31 874	7 644 828
Streets & public works	Road Transport	215 775	-	6 983	-	-	222 758	11 458	25 651	-	37 109	185 650
Water	Water	48 776	-	-	-	-	48 776	1 590	2 439	-	4 029	44 747
<b>TOTAL</b>		<b>19 923 445</b>	<b>4 872 135</b>	<b>324 225</b>	<b>2 686 567</b>	<b>-</b>	<b>27 806 373</b>	<b>707 787</b>	<b>722 591</b>	<b>-</b>	<b>1 430 378</b>	<b>26 375 995</b>

**APPENDIX C - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**  
**GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation						Accumulated Depreciation				Carrying Value
	Opening Balance	O/B Under Construction	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	-	-	121 233	-	-	121 233	-	9 499	-	9 499	111 734
Budget & Treasury	19 480 395	-	161 558	-	-	19 641 952	662 016	645 698	-	1 307 714	18 334 239
Planning & Development	60 500	-	1 751	-	-	62 251	23 172	12 108	-	35 280	26 971
Community & Social Services	-	-	32 700	-	-	32 700	-	4 874	-	4 874	27 826
Waste Water Management	118 000	4 872 135	-	2 686 567	-	7 676 702	9 550	22 324	-	31 874	7 644 828
Road Transport	215 775	-	6 983	-	-	222 758	11 458	25 651	-	37 109	185 650
Water	48 776	-	-	-	-	48 776	1 590	2 439	-	4 029	44 747
	<b>19 923 445</b>	<b>4 872 135</b>	<b>324 225</b>	<b>2 686 567</b>	<b>-</b>	<b>27 806 373</b>	<b>707 787</b>	<b>722 591</b>	<b>-</b>	<b>1 430 378</b>	<b>26 375 995</b>

**APPENDIX D - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**  
**MUNICIPAL VOTES CLASSIFICATION**

<b>2009 Actual Income R</b>	<b>2009 Actual Expenditure R</b>	<b>2009 Surplus/ (Deficit) R</b>		<b>2010 Actual Income R</b>	<b>2010 Actual Expenditure R</b>	<b>2010 Surplus/ (Deficit) R</b>
2 770	(2 190 748)	(2 187 978)	Administration	1 920	(3 481 600)	(3 479 680)
5 021	(70 047)	(65 026)	Cemetary	6 849	(109 324)	(102 475)
380 408	(164 367)	216 041	Communage	339 787	(202 634)	137 153
6 388 322	(3 115 600)	3 272 721	Councillor General Expenditure	5 461 460	(2 787 767)	2 673 694
1 318	(85 677)	(84 359)	Director Economical Development	1 045	(147 464)	(146 419)
7 657 890	(5 181 931)	2 475 960	Director Finance	8 840 043	(9 610 080)	(770 037)
3 963 728	(3 214 360)	749 368	Electricity	5 181 650	(4 893 865)	287 785
1 448 593	(1 114 818)	333 775	Health	47 155	(54 776)	(7 621)
4 025	(439 394)	(435 368)	Library	5 331	(464 914)	(459 583)
5 737	(766 153)	(760 416)	Parks, Trees and Recreation	23 100	(1 118 007)	(1 094 907)
494 043	-	494 043	Rates and Taxes	1 973 672	(450 000)	1 523 672
3 061 441	(1 881 960)	1 179 481	Sanitation	3 243 913	(3 241 160)	2 753
-	(1 392 090)	(1 392 090)	Streets & Public Works	-	(1 846 378)	(1 846 378)
-	(1 754)	(1 754)	Television	-	(144)	(144)
83 164	(59 196)	23 968	Townhall and Buildings	71 707	(11 959)	59 748
2 096 966	(767 606)	1 329 360	Water	2 035 046	(1 543 059)	491 987
25 593 427	(20 445 701)	5 147 726	Sub Total	27 232 677	(29 963 128)	(2 730 452)
-	(229 119)	229 119	Less Inter-Departmental Charges	-	2 610 162	2 610 162
25 593 427	(20 674 820)	5 376 845	<b>Total</b>	27 232 677	(27 352 967)	(120 290)

**APPENDIX D - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
6 388 322	(3 115 600)	3 272 721	Executive & Council	5 461 460	(2 787 767)	2 673 694
7 660 660	(7 372 679)	287 982	Budget & Treasury	8 841 963	(13 091 679)	(4 249 717)
494 043	-	494 043	Corporate Services	1 973 672	(450 000)	1 523 672
1 318	(85 677)	(84 359)	Planning & Development	1 045	(147 464)	(146 419)
1 448 593	(1 114 818)	333 775	Health	47 155	(54 776)	(7 621)
472 618	(734 758)	(262 140)	Community & Social Services	423 674	(788 975)	(365 301)
5 737	(766 153)	(760 416)	Sport & Recreation	23 100	(1 118 007)	(1 094 907)
3 061 441	(1 881 960)	1 179 481	Waste Water Management	3 243 913	(3 241 160)	2 753
-	(1 392 090)	(1 392 090)	Road Transport	-	(1 846 378)	(1 846 378)
2 096 966	(767 606)	1 329 360	Water	2 035 046	(1 543 059)	491 987
3 963 728	(3 214 360)	749 368	Electricity	5 181 650	(4 893 865)	287 785
						-
25 593 427	(20 445 701)	5 147 726	Sub Total	27 232 677	(29 963 128)	(2 730 452)
-	(229 119)	229 119	Less Inter-Departmental Charges	-	2 610 162	2 610 162
25 593 427	(20 674 820)	5 376 845	<b>Total</b>	27 232 677	(27 352 967)	(120 290)

**APPENDIX E(1) - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**REVENUE AND EXPENDITURE**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**MUNICIPAL VOTES CLASSIFICATION**

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	1 701 676	5 895 135	(4 193 459)	-71.13%	Less income forgone shown as expence in budget.
Government Grants and Subsidies	15 471 739	11 720 672	3 751 067	32.00%	
Public Contributions and Donations	1 045	1 000	45	4.51%	
Fines	9 661	17 000	(7 339)	-43.17%	Undetermined
Actuarial Gains	42 736	-	42 736	0.00%	
Property Rates - Penalties & Collection Charges	269 558	40 000	229 558	573.89%	
Service Charges	7 876 649	8 598 684	(722 035)	-8.40%	
Rental of Facilities and Equipment	446 229	480 687	(34 458)	-7.17%	
Interest Earned - External Investments	53 734	63 368	(9 634)	-15.20%	Call deposit accounts transferred to Primary acc.
Interest Earned - Outstanding Debtors	420 661	330 000	90 661	27.47%	
Licences and Permits	9 751	2 800	6 951	248.26%	
Agency Services	51 806	335 000	(283 194)	-84.54%	GRAP Implementation
Other Revenue	877 432	42 668	834 764	1956.42%	
<b>Total Revenue</b>	<b>27 232 677</b>	<b>27 527 014</b>	<b>(294 337)</b>	<b>26</b>	
<b>EXPENDITURE</b>					
Administration	(3 481 600)	(2 558 416)	(923 184)	36.08%	GRAP Implementation
Cemetary	(109 324)	(179 724)	70 400	-39.17%	
Communage	(202 634)	(176 731)	(25 903)	14.66%	
Councillor General Expenditure	(2 787 767)	(2 340 449)	(447 318)	19.11%	
Director Economical Development	(147 464)	(125 000)	(22 464)	17.97%	Grant not budgeted for.
Director Finance	(9 610 080)	(5 938 881)	(3 671 199)	61.82%	GRAP Implementation
Electricity	(4 893 865)	(4 793 158)	(100 707)	2.10%	
Health	(54 776)	(7 345)	(47 431)	645.76%	Grant not budgeted for.
Library	(464 914)	(420 493)	(44 421)	10.56%	Grant not budgeted for.
Parks, Trees and Recreation	(1 118 007)	(781 871)	(336 136)	42.99%	GRAP Implementation
Rates and Taxes	(450 000)	(3 795 135)	3 345 135	-88.14%	
Sanitation	(3 241 160)	(4 374 503)	1 133 343	-25.91%	
Streets & Public Works	(1 846 378)	(1 610 316)	(236 062)	14.66%	Grant not budgeted for.
Streetlights	-	(50 000)	50 000	-100.00%	
Television	(144)	(20 000)	19 856	-99.28%	
Townhall and Buildings	(11 959)	(146 293)	134 334	-91.83%	
Water	(1 543 059)	(2 577 148)	1 034 089	-40.13%	
Less Inter-Departmental Charges	2 610 162	2 419 903	190 259	7.86%	
<b>Total Expenditure</b>	<b>(27 352 967)</b>	<b>(27 475 560)</b>	<b>122 593</b>	<b>4</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>(120 290)</b>	<b>51 454</b>	<b>(171 744)</b>	<b>30</b>	

**APPENDIX E(1) - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**REVENUE AND EXPENDITURE**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	1 701 676	5 895 135	(4 193 459)	-71.13%	Less income forgone shown as expense in budget.
Government Grants and Subsidies	15 471 739	11 720 672	3 751 067	32.00%	
Public Contributions and Donations	1 045	1 000	45	4.51%	
Fines	9 661	17 000	(7 339)	-43.17%	Undetermined
Actuarial Gains	42 736	-	42 736	0.00%	
Property Rates - Penalties & Collection Charges	269 558	40 000	229 558	573.89%	
Service Charges	7 876 649	8 598 684	(722 035)	-8.40%	
Water Services Authority Contribution	-	-	-	0.00%	
Rental of Facilities and Equipment	446 229	480 687	(34 458)	-7.17%	
Interest Earned - External Investments	53 734	63 368	(9 634)	-15.20%	Call deposit accounts transferred to Primary acc.
Interest Earned - Outstanding Debtors	420 661	330 000	90 661	27.47%	
Licences and Permits	9 751	2 800	6 951	248.26%	
Agency Services	51 806	335 000	(283 194)	-84.54%	GRAP Implementation
Other Revenue	877 432	42 668	834 764	1956.42%	
<b>Total Revenue</b>	<b>27 232 677</b>	<b>27 527 014</b>	<b>(294 337)</b>	<b>26</b>	
<b>EXPENDITURE</b>					
Executive & Council	(2 787 767)	(2 340 449)	(447 318)	19.11%	
Budget & Treasury	(13 091 679)	(9 734 016)	(3 357 663)	34.49%	GRAP Implementation
Corporate Services	(450 000)	(2 558 416)	2 108 416	-82.41%	
Planning & Development	(147 464)	(125 000)	(22 464)	17.97%	Grant not budgeted for.
Health	(54 776)	(7 345)	(47 431)	645.76%	
Community & Social Services	(788 975)	(943 241)	154 266	-16.35%	
Sport & Recreation	(1 118 007)	(781 871)	(336 136)	42.99%	GRAP Implementation
Waste Water Management	(3 241 160)	(4 374 503)	1 133 343	-25.91%	
Road Transport	(1 846 378)	(1 610 316)	(236 062)	14.66%	Grant not budgeted for.
Water	(1 543 059)	(2 577 148)	1 034 089	-40.13%	
Electricity	(4 893 865)	(4 843 158)	(50 707)	1.05%	
Less: Interdepartmental Charges	2 610 162	2 419 903	190 259	7.86%	
<b>Total Expenditure</b>	<b>(27 352 967)</b>	<b>(27 475 560)</b>	<b>122 593</b>	<b>6</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>(120 290)</b>	<b>51 454</b>	<b>(171 744)</b>	<b>32</b>	

**APPENDIX E (2) - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS**  
**MUNICIPAL VOTES CLASSIFICATION**

	<b>2010 Actual</b>	<b>2010 Under Construction</b>	<b>2010 Total Additions</b>	<b>2010 Budget</b>	<b>2010 Variance</b>	<b>2010 Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
Administration	24 977	-	24 977	-	24 977	0.00%	FMG
Councillor general expenditure	121 233	-	121 233	-	121 233	0.00%	FMG
Director economical development	1 751	-	1 751	-	1 751	0.00%	FMG
Director finance	136 581	-	136 581	-	136 581	0.00%	FMG
Library	32 700	-	32 700	-	32 700	0.00%	Library Development Fund
Sanitation	-	2 686 567	2 686 567	5 941 000	(3 254 433)	-54.78%	
Streets & public works	6 983	-	6 983	-	6 983	0.00%	EPWP
<b>Total</b>	<b>324 225</b>	<b>2 686 567</b>	<b>3 010 792</b>	<b>5 941 000</b>	<b>(2 930 208)</b>	<b>-49.32%</b>	



**APPENDIX E (2) - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	121 233	-	121 233	-	121 233	0.00%	FMG
Budget & Treasury	161 558	-	161 558	-	161 558	0.00%	FMG
Planning & Development	1 751	-	1 751	-	1 751	0.00%	FMG
Community & Social Services	32 700	-	32 700	-	32 700	0.00%	Library Development Fund
Waste Water Management	-	2 686 567	2 686 567	5 914 000	(3 227 433)	-54.57%	
Road Transport	6 983	-	6 983	-	6 983	0.00%	EPWP
<b>Total</b>	<b>324 225</b>	<b>2 686 567</b>	<b>3 010 792</b>	<b>5 914 000</b>	<b>(2 903 208)</b>	<b>-49.09%</b>	

**APPENDIX F - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2009	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Health Officer	47 155	-	-	-	47 155	-	-
EPWP Projects	-	-	-	2 072 154	1 251 193	-	820 961
MIG Projects Oxidation dams	175 852	-	-	5 941 000	-	2 686 567	3 430 284
Financial Management Grant	76 620	-	-	2 750 000	2 051 369	64 827	710 424
Municipal Systems Infr Grant	285 000	-	-	850 000	814 589	-	320 411
LG Seta Skills Development	-	-	-	36 447	2 297	-	34 150
Library Development Fund	48 942	-	-	-	48 942	-	-
<b>Total</b>	<b>633 568</b>	<b>-</b>	<b>-</b>	<b>11 649 601</b>	<b>4 215 545</b>	<b>2 751 395</b>	<b>5 316 230</b>
<b>UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>							
District Mun Surplus Funds	-	-	-	-	480 795	-	(480 795)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>480 795</b>	<b>-</b>	<b>(480 795)</b>
<b>Total Receipts</b>	<b>633 568</b>	<b>-</b>	<b>-</b>	<b>11 649 601</b>	<b>4 696 340</b>	<b>2 751 395</b>	<b>4 835 434</b>

**Health Officer**

Dept of Water Affairs

Maintenance of Water & Sanitation Department

**EPWP Projects**

Provincial Treasury

Street works and job creation.

**APPENDIX F - Unaudited**  
**KAROO HOOGLAND LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

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**MIG Projects Oxidation dams**

DORA - National Treasury	Upgrading of Oxidation dams
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**Financial Management Grant**

DORA - National Treasury	Financial Management
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**LG Seta Skills Development**

National Treasury	Skills Development
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**Library Development Fund**

Provincial Treasury	Library development
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**District Mun Surplus Funds**

Namakwa District Municipality	Job creation
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